



FACT SHEET: HOPE FOR HOMEOWNERS TO PROVIDE ADDITIONAL MORTGAGE ASSISTANCE TO STRUGGLING HOMEOWNERS

HOPE for Homeowners will provide another resource to the Federal Housing Administration's (FHA) existing efforts to aid struggling homeowners. Under the program, borrowers having difficulty paying their mortgages will be eligible to refinance into FHA-insured mortgages they can afford.

For borrowers who refinance under *HOPE for Homeowners*, lenders will be required to "write down" the size of the mortgage to a maximum of 90 percent of the home's new appraised value. In many instances, lenders will determine that such a reduction in principal will allow them to avoid a costly foreclosure, while helping borrowers stay in their homes.

HUD strongly encourages borrowers to work with their current lender to determine if *HOPE for Homeowners* is the right program for them. Lenders should explore all options, including *HOPE for Homeowners*, before issuing foreclosure notices. For lenders, this voluntary program will serve as another loss mitigation tool that can be used to help families keep their homes.

Sustainable, Affordable Homeownership

HOPE for Homeowners will only offer 30-year fixed rate mortgages – so the borrower's last payment will be the same as the first payment. Further, this program will maintain FHA's long-standing requirement that new loans be based on a family's long-term ability to repay the mortgage. Only owner-occupants are eligible for FHA-insured mortgages.

Consistent with statutory requirements, borrowers must also meet the following criteria:

- Their mortgage must have originated on or before January 1, 2008;
- They cannot afford their current loan;
- They must have made a minimum of six full payments on their existing first mortgage and did not intentionally miss mortgage payments;
- They do not own a second home;
- Their mortgage debt-to-income must be at least 31 percent;
- They did not knowingly or willfully provide false information to obtain the existing mortgage, and they have not been convicted of fraud in the last 10 years;
- They must follow FHA's long-standing and strict policy of fully documented income and employment.

- Homeowners must agree to share both the equity created at the beginning of their new *HOPE for Homeowners* mortgage and any future appreciation in the value of their home.
- To participate, existing subordinate lenders must agree to release their outstanding mortgage liens.

The new *HOPE for Homeowners* mortgage payment must be at or below 31 percent of the borrower's income, unless there is 'trial modification' period prior to loan application. A trial modification would give borrowers the opportunity to demonstrate their capacity and willingness to make a mortgage payment that does not exceed 38 percent of their monthly income.

Funding

FHA will insure up to \$300 billion in new loans.

Program Timeline

The program will last from October 1, 2008 through September 30, 2011.

Voluntary Lender Participation

FHA will continue to offer lenders an alternative to foreclosing on borrowers. Similar to *FHASecure*, lenders will be required to write-down the outstanding mortgage principal balances to 90 percent of the new value of the property. In many cases, reductions in principle will cost lenders less than the losses associated with foreclosure.

Homeowners In Need Should Act Now

While lenders are gearing up to offer this new program, families should not wait to seek mortgage relief. Right now, homeowners can determine if they are already eligible for mortgage assistance through *FHASecure*. They can obtain information through any of the following options:

1. Contact current lender
2. Contact a local, HUD-approved housing counseling agency at HUD.gov;
3. Contact the HOPE NOW Alliance at 1-888-995-HOPE; or
4. Call FHA at 1-800-CALL-FHA.

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HOPE for Homeowners Program Enhancements

Under the Emergency Economic Stabilization Act (EESA) of 2008, the HOPE for Homeowners Board of Directors was granted authority to make changes to the program that will provide additional mortgage assistance to struggling homeowners.

As announced by HUD Secretary Steve Preston, the Board has approved the following changes which are intended to expand eligibility, reaching more distressed homeowners, and reducing program costs for both consumers and lenders.

Increasing the maximum loan to value to 96.5%

- A borrower may now qualify for an LTV of up to 96.5%, so long as his mortgage payment to income ratio is 31% or less, and total household debt to income ratio is 43% or less.
- For borrowers with an LTV of 90% or below, the expanded ratios of 38/50 remain available.

Eliminating the trial modification requirements

- FHA will no longer require a 3 month trial modification in any case.
- Eliminating the trial modification requirement simplifies the program and streamlines the process.

Expanding the maximum loan term to 40 years

- Borrowers and lenders will now have the ability to expand the loan term to 40 years.
- The longer amortization period will help reduce monthly mortgage payments.

Allowing an upfront payment to subordinate lien holders

- Subordinate lien holders will now have the option to take their appreciation share at the time of origination of the H4H mortgage, or wait until the property is sold.
- The upfront appreciation share will be a portion of the outstanding balance depending on the Combined Loan to Value at the time of H4H origination.

Consistent with statutory and regulatory requirements, borrowers must continue to meet the following criteria:

- Their mortgage(s) must have been originated on or before January 1, 2008.
- They cannot afford their current loan. (DTI greater than 31%)
- They must have made a minimum of 6 full payments on their existing first mortgage.
- They have not intentionally defaulted on any debt.
- They do not own any other residential real estate.
- They did not knowingly or willfully provide material false information to obtain the existing mortgage and they have not been convicted of fraud in the last 10 years.

More information for consumers, housing counselors and lenders can be found at our website, www.fha.gov.